



Irrational Behavioral Can Cost Your Money

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Holding Credit Card debt and Saving at the Same time

A Debit Card takes money from people banking account and a Credit Card charges it to their line of credit. The Credit card is king when it has comes to paying for shopping. Most of the people want to use a credit card when they go shopping. Paying with credit card is less painful than paying with cash or debit card. People do spend more when paying with a credit card because they do not have to pay the money immediately. However, people do not think about the disadvantages of using a credit card. Credit card encourages people to spend more money that they do not have. Credit card companies charge people an enormous amount of interest on each balance that they do not pay off at the end of each month. This is how they make their money and this is how most people in the United States get into debt (and even bankruptcy).Holding credit card debt and savings at the same time is irrational. It is surprising that many people use their credit cards for everyday purchases and have some savings in separate accounts. Some people think that saving money is more difficult than paying their credit card bill. People may find difficulty to save may also find it hard to use their savings to repay debt because they fear they will not be motivated enough to rebuild their savings. This irrational behaviour is costing people money because debt is so expensive, especially credit card debt, where interest rates is high.

Purpose

Are people making rational decision when they go shopping and spending money from there own pocket/account or using credit card being under debt?

Methodology

A survey was conducted among 20 graduate students from university of Bridgeport with 2 set of question.10 students were given question 1 and the other 10 students were given question 2 at random to answer..

Q1-Suppose, you go shopping and buy a “Samsung” 55” class LED TV at \$429.99. You have Debit and Credit card both. For paying your bills, would you like to use the debit card, which means you spend money from your own account, or would you like to use the credit card?

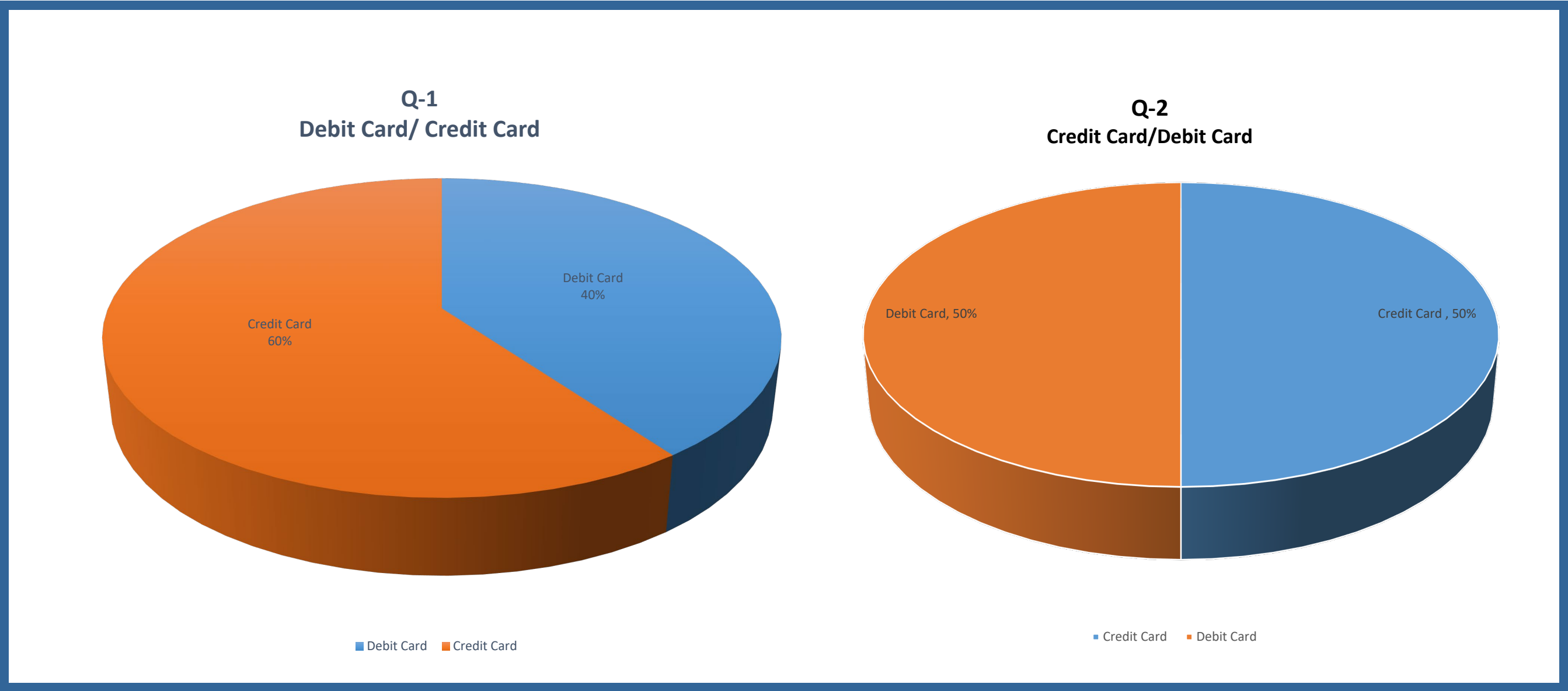
- 1.Debit Card
- 2.Credit card

Q-2 Suppose, you go shopping and buy a “Samsung” 55” class LED TV at \$429.99.You have Debit and Credit card both. For paying your bills, would you like to use the credit card, which means you do not have to pay the money from your own account until the next billing cycle or would, you like to use the debit card?

- 1.Credit Card
- 2.Debit Card

Results

Difference	0.2 %
95% CI	-16.1860% to 16.7062%
Chi-squared	0.008
DF	1
Significance level	P = 0.9294



Test Result

The proportion ratio test for $12/20=0.60$ vs $8/20=0.40$ had a p-value of 0.9294 indicating that the difference is likely not due to randomness. In other words, yes there is not significant difference and it is not substantial going from 60 to 40 present.

Conclusion

The study concluded that there was a significant difference in the response of people based on their own thinking and situation changed. This showed their preference toward their principles changed based own logic of right or wrong. People make decision according to their benefit or satisfaction while the irrational. In order to overcome such bias need to do a deeper analysis of any situation specially when it is related to money.